

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6593**

**BILL NUMBER:** HB 1437

**NOTE PREPARED:** Jan 12, 2013

**BILL AMENDED:**

**SUBJECT:** Income Tax Credit for Student Loan Borrowers.

**FIRST AUTHOR:** Rep. Niezgodski

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill establishes a refundable individual income tax credit available for the first 10 consecutive years after the person begins repayment of a student loan if they are employed in a qualifying occupation. The qualifying occupations are:

- Nurse
- Social Worker
- Teacher

**Effective Date:** January 1, 2014.

**Explanation of State Expenditures:** *Department of State Revenue (DOR):* The DOR will incur additional expenses to revise tax forms, instructions, and computer programs. The DOR's current level of resources should be sufficient to implement the provisions of the bill.

**Explanation of State Revenues:** *Summary* - This bill creates a refundable Individual Adjusted Gross Income Tax credit for people who have student loan debt and are employed as a nurse, social worker, or teacher. The individual may claim the credit in the first 10 years after they begin repayment on their student loans provided they are employed in a qualifying occupation. The credit equals \$2,500 if the person is employed full-time in a qualifying occupation for an entire year, otherwise the credit is prorated by the number of months the person was employed full-time in the qualifying occupation during the taxable year. The credit is effective beginning in tax year 2014, so the revenue loss will likely begin in FY 2015. The tax credit could potentially reduce revenue to the state General Fund by an estimated \$91 M to \$107 M per year beginning in FY 2015.

**Additional Information** - The revenue estimate is based on data reported by the U.S. Census Bureau, Bureau of Labor Statistics (BLS), and Federal Reserve Bank of New York (FRBNY). First, the BLS was consulted to determine how many Indiana residents are employed in the three qualifying professions. Then, the number of those employees who have student loan debt was estimated based on U.S. Census population counts by age group and the FRBNY study.

Student loan debt is not equally distributed among the population. According to a FRBNY study, 65.2% of people under the age of 40 have outstanding student loan debt. While only 7.4 % of people at least 40 years old carry student loan debt. So, it was necessary to stratify the sample by age to apply student indebtedness ratios. The population was classified into age groups based on U.S. Census demographic data. It is assumed that the people working in those professions are between the ages of 23 and 64 years and have an age distribution similar to the population of Indiana. Next, the information reported by the FRBNY regarding student loan debt was applied to the age groups. The lower and upper bound estimates stem from variation in student indebtedness ratios reported by the FRBNY.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** U.S. Census Bureau, *DP-1 Profile of General Population and Housing Characteristics:2010 - Indiana*; U.S. Census Bureau, *PEPSYASEX-Geography-Indiana: Annual Estimates of the Resident Population by Single Year of Age and Sex: April 1, 2010 - July 1, 2011*; Bureau of Labor Statistics, *May 2011 Occupational Employment and Wage Estimates - Indiana*; Federal Reserve Bank of New York, *Grading Student Loans*, March 5, 2012.

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